

Message Text

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PAGE 01 HONG K 11870 300804Z
ACTION EA-12

INFO OCT-01 ISO-00 EB-08 CIAE-00 INR-10 NSAE-00 OES-09
DOE-15 SOE-02 AGRE-00 /057 W
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R 300726Z AUG 78
FM AMCONSUL HONG KONG
TO SECSTATE WASHDC 2952
USLO PEKING
USDOC WASHDC
INFO AMEMBASSY BONN
AMEMBASSY TOKYO

C O N F I D E N T I A L HONG KONG 11870

E.O. 11652: GDS
TAGS: ECEM, ECRE, CH
SUBJECT: PRC CHEMICAL INDUSTRY: FANGSHAN BENZENE PLANT

1. ON AUGUST 29, CONGENOFF SPOKE WITH TWO WEST GERMAN TECHNICANS, WHO HAD JUST COMPLETED THREE MONTHS' WORK IN THE PRC ON A BENZENE-PRODUCING PLANT DESIGNED BY THE LINDE COMPANY OF WEST GERMANY. THE PLANT IS LOCATED IN FANGSHAN, A SMALL TOWN APPROXIMATELY SIXTY KILOMETERS SOUTHWEST OF PEKING. THE GERMAN TECHNICANS NOTED THAT THIS IS ONE OF THE FIRST PLANTS USING FOREIGN TECHNOLOGY TO PRODUCE BENZENE IN CHINA. THE LINDE CONTRACT, ORIGINALLY SIGNED IN 1975, ALSO INCLUDED A LICENSE FROM A US FIRM, HOUDRY AIR PRODUCTS AND CHEMICALS OF ALLENTOWN, PENNSYLVANIA, FOR A PROCESS TO PRODUCE FEEDSTOCK FOR THE PLANT.

2. TRIAL OPERATIONS BEGAN IN JULY AND THE TECHNICANS WILL RETURN IN OCTOBER TO ASSIST WITH A SCHEDULED TEST RUN. THE PLANT, DESIGNED TO EVENTUALLY PRODUCE 100,000 TONS OF BENZENE ANNUALLY, WILL PRODUCE ONLY 30,000 TONS A YEAR IN THE FIRST STAGE, SET TO BEGIN BEFORE THE END OF THIS YEAR.

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3. RECENT CHANGES IN CHINA'S MANAGEMENT AND LABOR POLICIES APPARENTLY HAVE NOT REDUCED CHINESE SENSITIVITIES AS FAR AS ACCEPTING FOREIGN ADVICE IS CONCERNED. BY THE TIME THE GERMANS ARRIVED IN CHINA, THE PLANT'S MACHINERY HAD ALREADY BEEN INSTALLED, BUT NOT ACCORDING TO THE GERMAN FIRM'S BLUEPRINTS. THE GERMANS COMPLAINED THAT

CHINESE PLANT OFFICIALS WERE TOO OFTEN UNWILLING TO ACCEPT THEIR ADVICE CONCERNING INSTALLATION OF THIS SENSITIVE EQUIPMENT; AND CONSEQUENTLY, THE START-UP OF OPERATIONS HAD BEEN DELAYED.

4. THE GERMANS ALSO RELAYED A RUMOR THAT CHINA HAS SIGNED A CONTRACT WITH A JAPANESE COMPANY, POSSIBLY MITSUBISHI, TO DESIGN AN ADDITIONAL BENZENE PLANT, BUT HAD NO DETAILS OF WHERE OR WHEN THIS PLANT IS TO BE BUILT.

SHOESMITH

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